

1 STATE OF RHODE ISLAND
2 PUBLIC UTILITIES COMMISSION

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6 Investigation into a Successor Alternative)
7 Regulation Plan for Verizon New England) Docket No. 3692
8 Inc. d/b/a Verizon Rhode Island)
9

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11 Surrebuttal Testimony of
12 Thomas H. Weiss
13 on behalf of the
14 Division of Public Utilities and Carriers
15

16 **Q. PLEASE STATE YOUR NAME.**

17 A. My name is Thomas H. Weiss.
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19 **Q. ARE YOU THE SAME THOMAS H. WEISS WHO EARLIER FILED**
20 **DIRECT TESTIMONY ON BEHALF OF THE DIVISION OF PUBLIC**
21 **UTILITIES AND CARRIERS IN CONNECTION WITH THIS DOCKET?**

22 A. Yes, I am.
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24 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY AT THIS TIME?**

25 A. My purpose is to respond to the rebuttal testimony filed by Ms. O'Brien and Mr.
26 Vassington on behalf of Verizon-Rhode Island ("Verizon" or "the Company") on
27 November 14, 2005.
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29 **Q. AT LINES 15-20 ON PAGE 1 OF HER REBUTTAL TESTIMONY, MS.**
30 **O'BRIEN ADDRESSES YOUR TESTIMONY REGARDING THE**

1 **DIVISION’S CONCERNS FOR CAPPING INCREASES IN RATES FOR**
2 **PRIMARY RESIDENCE BASIC EXCHANGE CUSTOMERS. DO YOU**
3 **HAVE ANY COMMENT?**

4 A. Yes. Ms. O’Brien explains that Verizon fails to understand “... why, given the
5 extent of competition that exists in the Rhode Island telecommunications market,
6 this type of constraint [as proposed by the Division] is appropriate for Verizon RI,
7 but not for other competitive local exchange providers operating in Rhode
8 Island.” In response to Verizon’s concerns, I note simply that Verizon remains
9 the carrier of last resort for many users of primary residential local exchange
10 service in the state and, as such, it controls the proverbial “last mile” of access for
11 such users. Accordingly, it remains appropriate for the Commission to maintain
12 regulatory control over the prices that Verizon charges for primary residential
13 basic exchange service in Rhode Island.

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15 **Q. CONTINUING AT LINES 21-23 ON PAGE 1 OF HER REBUTTAL**
16 **TESTIMONY, MS. O’BRIEN STATES THAT “... CUSTOMERS WHO**
17 **WISH TO PURCHASE BASIC EXCHANGE SERVICE HAVE MANY**
18 **OPTIONS AVAILABLE TO THEM” IS MS. O’BRIEN CORRECT?**

19 A. No. I note that Ms. O’Brien refers to customers *in general* who wish to purchase
20 basic exchange service. She does not address that group of users for which the
21 Division has its principal concern -- that is, residential users. As I explained in
22 my direct testimony, many residential users do not have viable options, either
23 economically or technically.

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Q. AT LINES 21-26 ON PAGE 2 OF HER REBUTTAL TESTIMONY, MS. O'BRIEN CHARACTERIZES THE DIVISION'S PROPOSAL WITH RESPECT TO RESIDENTIAL RATES AS "... BOTH UNNECESSARY AND ILL-ADVISED, GIVEN THE COMPETITIVE NATURE OF THE RHODE ISLAND TELECOMMUNICATIONS MARKET." DOES THE DIVISION AGREE?

A. No. The Division does not disagree that Verizon has presented evidence in this docket which shows that its shares of the business and residential markets in Rhode Island have fallen below the seventy-percent target established by the Commission as the standard by which Verizon should be granted full pricing flexibility *in the business market*. However, the Commission correctly made no such direct finding with respect to residential markets. Certainly, at this time, except for facilities-based wireline carriers such as Cox, none of the competitive options to Verizon's wireline access service that are reasonably available to Rhode Island residential customers are as good or better for residential customers overall than Verizon's wireline access offerings.

It should be emphasized here, and contrary to Mr. Vassington's rebuttal testimony (page 19), that the Division has not recommended continuation of any restrictions on residential discretionary services such as those that characterize the existing AFOR. It also should be emphasized that the Division proposes no additional restrictions beyond what already exists in the Commission's rules, on Verizon's

1 ability during the Division-proposed four-year effective period to petition the
2 Commission for price flexibility in the residential market. Nor is the Division
3 proposing that Verizon be required to relinquish any other rights to which it may
4 be entitled under Rhode Island law. In short, with regard to residential services,
5 the Division's proposal here boils down simply to a restriction on the maximum
6 rate at which prices to Verizon's residential basic exchange customers should be
7 allowed to increase over the next four years.

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9 **Q. BEGINNING AT LINE 16 ON PAGE 3 OF HER REBUTTAL**
10 **TESTIMONY, MS. O'BRIEN ARGUES THAT THE COMMISSION**
11 **SHOULD REJECT THE DIVISION'S PROPOSAL TO MAINTAIN THE**
12 **CURRENT LEVEL OF VERIZON'S CONTRIBUTION TO THE STATE**
13 **LIFELINE SUBSIDY FUND FOR TWELVE MONTHS. DO YOU HAVE**
14 **ANY COMMENTS ON THIS ASPECT OF MS. O'BRIEN'S REBUTTAL**
15 **TESTIMONY?**

16 A. Yes. Failure to continue Verizon's contribution to the fund at its current level
17 could require that lifeline customers be subject to increased prices, thereby
18 placing an additional economic burden on them. The Division's proposal as to
19 the lifeline contribution is reasonable and will offer a reasonable opportunity for
20 the legislature to enact lifeline contribution reform, if that is deemed the
21 appropriate public policy, while maintaining protections for low-income
22 customers. In any event, under the Division's proposal, Verizon's burden will be

1 reduced at the end of the twelve-month period, at the latest. This is similar to the
2 school and library-funding mechanism that was handled in Docket 3445.

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4 **Q. BEGINNING AT LINE 13 ON PAGE 4 OF HER REBUTTAL**
5 **TESTIMONY, MS. O'BRIEN COMMENTS ON THE DIVISION'S**
6 **PROPOSAL TO ELIMINATE THE "EXOGENOUS COSTS"**
7 **PROVISIONS OF THE EXISTING AFOR. WHAT IS THE DIVISION'S**
8 **POSITION WITH REGARD TO THAT PORTION OF MS. O'BRIEN'S**
9 **REBUTTAL TESTIMONY?**

10 A. After reviewing Ms. O'Brien's rebuttal points, the Division agrees with Verizon
11 that should the Commission adopt the Division's recommendations regarding
12 residential service, Verizon should continue to be allowed to recognize
13 "exogenous" costs in its price-regulated rates to the same extent that is allowed to
14 do so under the existing plan. The revenues and expenses that result from any
15 exogenous event should be allocated to price-regulated services in the same
16 proportion as total revenue from price-regulated services bears to the sum of total
17 revenue from the Verizon-RI price regulated services and the revenue derived
18 from the Verizon-RI services that are not price regulated. Savings realized as the
19 result of the Verizon/MCI merger should be allocated in similar fashion.

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21 **Q. BEGINNING AT LINE 20 ON PAGE 5 OF HER REBUTTAL**
22 **TESTIMONY, MS. O'BRIEN ADDRESSES THE DIVISION'S**

1 **PROPOSALS WITH RESPECT TO REGULAR FINANCIAL AND**
2 **SERVICE QUALITY REPORTING. DO YOU HAVE ANY COMMENT?**

3 A. Ms. O'Brien does recognize the accuracy of the Division's observation that it and
4 the Commission are, by law, required to continue to monitor the Company's
5 operations and financial results. She notes also that there is no policy basis for
6 imposing reporting obligations on only one competitor. The Division does not
7 disagree and would suggest the Commission consider addressing reporting
8 requirements and minimum service requirements for other telecommunications
9 market competitors in Rhode Island, possibly through a new docket. The Division
10 believes that if reporting requirements are eliminated altogether, then the data
11 necessary for the Commission and the Division to carry out their missions could
12 cease to be collected and made available to them when necessary.

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14 **Q. DOES THAT CONCLUDE YOUR REBUTTAL TESTIMONY AT THIS**
15 **TIME?**

16 A. Yes, it does.